BUILDING THE BUSINESS OF TOURISM

Travel Manitoba
CANADA

2008-03203/

A MESSAGE FROM THE CHAIR AND PRESIDENT AND CEO

Paul Robson
Chair of the Board of Directors

Hubert Mesman
President and CEO,
Travel Manitoba

As Travel Manitoba reports on its second year as a Crown corporation, we look back with pride on all that was accomplished in cooperation with our partners in 2006–07.

Manitoba's tourism industry performed well in 2006, with tourism expenditures growing by 5.1 per cent over 2005. Indeed, according to The Conference Board of Canada, Manitoba registered the third strongest growth in the country since 2002, trailing only Quebec and Alberta. A strong Canadian economy contributed to record festival attendance and strong meetings and convention business. Major events, including the Grey Cup and the Aboriginal Peoples Choice Music Awards, further bolstered tourism performance in 2006.

Our expanded marketing plan and product development strategies provided industry with the opportunity to develop new products and package experiences that appeal to local, national and international travellers. Industry's enthusiastic response to the new approach resulted in tripling private sector investment in our marketing programs to $1.2 million over the first two years of operation.

This report highlights our industry-partnered accomplishments, including hosting a "Business of Tourism Summit" in partnership with the Business Council of Manitoba and our Annual Tourism Conference and Gala Industry Awards Dinner. More than 250 industry representatives celebrated the success of tourism organizations and businesses and honoured 46 award winners for their outstanding contributions to the tourism industry.

We are also proud of our "Unforgettable Manitoba" marketing campaign, which included new web-mapping capabilities and the promotion of over 50 new travel packages throughout our primary U.S. and Canadian markets. Over $7.7 million in equivalent ad value was leveraged in media coverage of Manitoba in major international publications including *USA Today*, *National Geographic*, the *Minneapolis Star Tribune* and the *New York Daily News*.

Our accomplishments would not have been possible without the direction and leadership provided by the Board of Directors and the talent and dedication of our staff. We are also grateful to the members of our Industry Advisory Committees, who have generously shared their expertise and provided Travel Manitoba staff with specific advice and clearly defined goals.

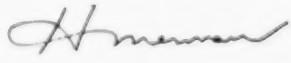
The United Nations World Tourism Organization forecasts continued strong annual growth for worldwide travel over the next decade. Competition for market share will intensify and Canada is facing significant challenges, particularly from the U.S. market in the coming years. The looming full implementation of the Western Hemisphere Travel Initiative (WHTI) is expected to significantly reduce the number of U.S. visitors to Manitoba. The strengthened Canadian dollar poses further challenges to pricing and profitability, as well as inducing outbound travel to the United States. Increased competition from other markets is also pressuring our industry, making it more imperative than ever to mount aggressive marketing campaigns and deliver quality products and services.

We are confident in our industry's ability to meet these challenges with innovative planning and outstanding execution. The foundation of our future goals will be driven by return on investment. We will increase our focus on e-marketing, develop new strategies to increase international visitation and mitigate the effects of the WHTI on our U.S. market. We also believe there is growth potential in intra-provincial travel and we will encourage Manitobans to tour and experience the delights of our province by increasing our marketing efforts to highlight northern, Aboriginal and Francophone experiences.

We are partnering with Destination Winnipeg and Brandon First to implement a strategic major events acquisition strategy and create a year-long signature event called Homecoming 2010. The latter will encourage former Manitobans to return home and experience our many new attractions and improved competitive business environment first hand.

It's a long list, but we are confident that Travel Manitoba is on the right path and poised to make the most of our opportunities. Our committed staff will continue to work with our dedicated industry operators, other tourism organizations and a supportive government to achieve sustainable growth. Whether you are a resident, traveller, tour operator, work in an industry organization or the public sector, we all have important roles to play as we focus on building the business of tourism in Manitoba.

Paul Robson



Hubert Mesman

Standing (left to right):

Michael Spence
Mayor,
Town of Churchill

Claudette Leclerc
Executive Director,
The Manitoba Museum

Jim August
Chief Executive Officer,
The Forks North
Portage Partnership

Doug Ramsey
Associate Professor,
Brandon University

Doug Stephen
President,
WOW Hospitality

Seated (left to right):

Marina Kulba
General Manager,
Place Louis Riel

Pat Andrew
Promotions Coordinator,
Manitoba Government
Employees Union

Paul Robson, Chair
Chief Executive Officer,
Red River Exhibition
Association

**Max Johnson,
Vice-chair**
President,
The Great Canadian
Travel Company Ltd.

Barry Rempel
President and Chief
Executive Officer,
Winnipeg Airports Authority

**Julie Turenne-
Maynard**
President,
JTM Consulting

Missing:

Curt Enns
Owner/Operator,
Kississing Lodge

Michelle Gervais
Owner/Operator,
Ô Tours Inc.

Cindy Skanderberg
Owner/Operator,
Spruce Woods Inn
(resigned September
2006)

William Young
Owner/Operator,
Bloodvein River Lodge

Hubert Mesman
President and Chief Executive Officer (CEO)

Brigitte Sandron
Vice-president, Product and Market Development

Linda Whitfield
Vice-president, Marketing Services

Irene Adams
Director, Corporate Services

Members are chosen from a cross-section of industry sectors and appointed by the Board. The committees provide input from the industry's perspective on issues, trends and events affecting tourism.

Judy Murphy, Chair
Larry Desrochers
Lois MacDonald
Jim McEachern
Diane Bruyère
David Wass
Scot McTaggart
Michelle Gervais
Jill Lusty
Eric Irwin
Ron Gauthier

Jim Baker, Chair
Carl Wall
Bev Shuttleworth
Celes Davar
Chantal Sturk-Nadeau
Daniel Lussier
Don Finkbeiner
Doug Ramsey
Marina Kulba
Melanie Woodward

Toni Morberg, Chair
Barbara Hamilton
William Young
Carl Wall
Stan Good
Gerry Turenne
Jill Lusty
Lynda Gunter
Shawn Gurke

A Rural Regional task force provided advice that will guide the development of renewed partnership agreements between the Regional Tourism Associations, Travel Manitoba and the provincial government.

A Provincial Event Acquisition Strategy task force developed a framework designed to bring national and international events to Winnipeg and Manitoba over the next 10 years.

THE BUSINESS OF TOURISM

In 2006, Manitoba's tourism industry registered the third-strongest growth in the country.

PROVINCIAL INDUSTRY PERFORMANCE

While visitation statistics have not been finalized for 2006, overnight visitation revenues are expected to be up by 5.1 per cent over 2005, generating a total of $904 million.

According to The Conference Board of Canada projections, in 2006, Manitoba's tourism industry registered the third-strongest growth in the country since 2002, trailing only Quebec and Alberta. Good weather, a new provincial marketing campaign and a strong economy contributed to record crowds at festivals and packed campgrounds. In addition, the Grey Cup and the Aboriginal Peoples Choice Music Awards helped boost growth even further.

However, Statistics Canada reported a 6.3 per cent decline in U.S. same-day and overnight direct entries into Manitoba in 2006. This compares to an 8.8 per cent decline in direct entries from the U.S. to Canada over the same period. The greatest portion of this decline was related to same-day traffic, which was down by 8.7 per cent for Manitoba and 12.2 per cent for Canada. The downturn is attributed to the rise of the Canadian dollar, border crossing issues and increasing fuel prices.

NATIONAL PERFORMANCE

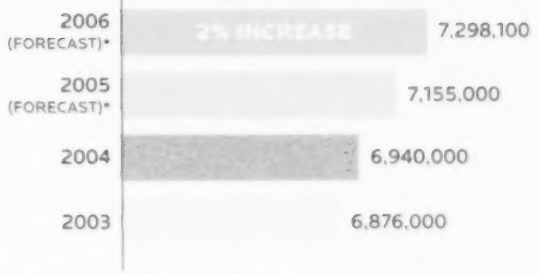
The Canadian tourism industry experienced solid growth in 2006, climbing 4.6 per cent and closing out the year with a strong fourth quarter. According to Statistics Canada, tourism spending grew for the 14th consecutive quarter at the end of 2006, rising 1.8 per cent on the strength of both tourism outlays by Canadians and a turnaround in spending by non-residents visiting Canada.

Nationally, tourism demand has been on the rise since the second quarter of 2003, with gains of 5.2 per cent in 2004 and three per cent in 2005. Prior to 2003, the Iraq war and severe acute respiratory syndrome (SARS) pushed down performance.

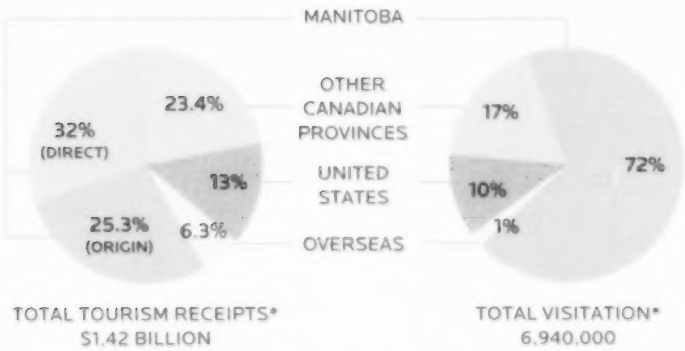
Tourism spending in Canada reached $66.9 billion in 2006, while domestic tourism spending in Canada rose 7.7 per cent, the strongest annual increase since 1997.

TOTAL TOURISM RECEIPTS IN MANITOBA 2003–06

TOTAL TOURISM VISITATION IN MANITOBA 2003–06



*Based on forecasts released from The Conference Board of Canada.



* Based on 2004 final data from Statistics Canada.
Final data for 2005 and 2006 not available at time of printing.

Visitors from MANITOBA
Spent $811.6 million total
$90 per person visit
$453.3 million direct expenditures
$358.3 million origin spending
Accounted for: 5,013,000 person visits

Visitors from OTHER CANADIAN PROVINCES
Spent $331.7 million
$286 per person visit
Accounted for: 1,161,000 person visits

Visitors from OVERSEAS
Spent $90.5 million
$994 per person visit
Accounted for: 91,000 person visits

Visitors from UNITED STATES
Spent $181.1 million
$274 per person visit
Accounted for: 675,000 person visits

TOTAL TOURISM RECEIPTS IN MANITOBA 2003–06

2006 (FORECAST)*	$1,567,221
2005 (FORECAST)*	$1,491,172
2004	$1,418,813
2003	$1,390,455

TOTAL TOURISM VISITATION IN MANITOBA 2003–06

2006 (FORECAST)*	7,298,100
2005 (FORECAST)*	7,155,000
2004	6,940,000
2003	6,876,000

*Based on forecasts released from The Conference Board of Canada

* Based on 2004 final data from Statistics Canada
Final data for 2005 and 2006 not available at time of printing

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Visitor direct entries:
According to Statistics Canada, as of March 31, 2007, total overnight direct entries to Manitoba were down 14 per cent year-to-date (YTD). Direct entries for one or more nights by car to Manitoba from the U.S. were down 21.8 per cent. On the positive side, entries for one or more nights from other international origins were up 12.8 per cent YTD, exceeding the Canadian total of 6.3 per cent.

The estimated number of trips to Canada from overseas markets from Germany increased 8.6 per cent YTD and from the United Kingdom 8.8 per cent YTD. However, the number of trips from Japan was down, showing a 12.5 per cent (YTD) decrease.

The number of Canadians returning from the U.S. continues to increase for both Manitoba and Canada with 9.2 per cent (YTD) and 4.8 per cent (YTD) increases respectively.

Hotel accommodations:
Overall, occupancy rates in Manitoba were up by 2.9 per cent in 2006. Rates in Winnipeg rose by 2.6 per cent; Brandon saw a 3.1 per cent increase and rural rates rose by four per cent.

Campground occupancy:
Manitoba's provincial parks enjoyed significant increases, with campground reservations rising by 30 per cent over the previous year and unit nights jumping by 13.8 per cent, largely due to the new campground reservation system launched in April 2006, which allows campers to search and reserve accommodations over the Internet. Overall, parks in Manitoba saw an increase in total visitors of 4.1 per cent.

Airport traffic:
Each year, Winnipeg's main airport, the James Armstrong Richardson International Airport, welcomes 3.4 million passengers. In 2006, scheduled arrivals rose by five per cent and total arrivals increased by 4.7 per cent.

Meetings and conventions:
Manitoba's capital city, Winnipeg, is a hub of activity, attracting meeting and convention delegates from all over the world. In 2006, the city hosted a total of 195 meetings and conventions for approximately 53,000 delegates, which generated more than $43 million dollars in spending.

Festivals and events:
Manitoba's major festivals and events also enjoyed a favourable year in 2006, mainly due to unseasonably hot and sunny weather. The Brandon Folk Festival, Portage la Prairie Air Show and the Winnipeg Fringe Festival all reported strong attendance figures. Three Manitoba summer events broke attendance records in 2006: The Winnipeg Folk Festival hosted nearly 45,200 attendees; The Manitoba Stampede received 25,000 visitors; and the 19th annual Fringe Festival saw a record paid attendance of 69,320.

Visitor inquiries:
Each year, Travel Manitoba travel counsellors answer an average of 10,000 phone inquiries from interested travellers in Canada and around the world. Last year, phone inquiries dropped by 18.6 per cent, but in-person inquiries at the Explore Centre located in The Forks, Winnipeg, rose by 17.6 per cent.

Web trends:
Travel Manitoba hosts seven websites targeted to tourists, travel media, the travel industry and travel trade. These sites are visited by more than 350,000 unique viewers each year, who are able to review more than 2.4 million pages of travel information.

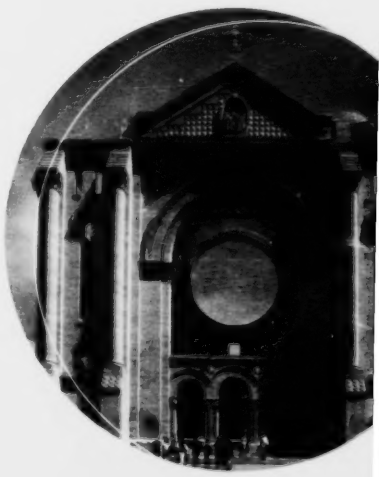
PERFORMANCE OUTLOOK

Going into 2007, domestic travel is expected to grow even faster than last year. Strong increases in wages and earnings throughout the province are expected to spur leisure travel. In addition, the bustling business environment, particularly in the mining and commodities sector, is expected to drive strong growth in corporate travel this year.

However, the U.S. market continues to be challenging. The uncertainty of passport requirements to cross the U.S. border, associated with the Western Hemisphere Travel Initiative (WHTI), are expected to continue to negatively influence U.S. visitation to Manitoba.

TOURISM INDICATORS	2004	2005f	2006f	2007f	2008f	2009f
Total trips (000s overnight province visits)	3,385	3,454	3,521	3,601	3,727	3,823
(percentage change)	*3.1*	*2.0*	*2.0*	*2.3*	*3.5*	*2.6*
Domestic	2,961	3,088	3,168	3,252	3,388	3,470
(percentage change)	*2.2*	*4.3*	*2.6*	*2.6*	*4.2*	*2.4*
Business	329	345	354	361	372	380
(percentage change)	*25.1*	*4.9*	*2.6*	*2.1*	*3.0*	*2.1*
Pleasure	1,293	1,351	1,394	1,433	1,498	1,533
(percentage change)	*2.9*	*4.5*	*3.2*	*2.8*	*4.6*	*2.3*
United States	341	293	280	275	262	272
(percentage change)	*6.1*	*-14.2*	*-4.3*	*-1.9*	*-4.8*	*3.9*
Overseas	83	73	72	75	78	81
(percentage change)	*31.0*	*-12.5*	*-0.2*	*3.1*	*4.2*	*4.1*
Total expenditures ($ millions overnight)	813	861	904	935	975	1,015
(percentage change)	*12.6*	*5.9*	*5.1*	*3.4*	*4.3*	*4.1*
Total expenditures *(percentage change)*	*0.65*	*3.28*	*1.95*	*1.14*	*1.11*	*0.93*

Sources: The Conference Board of Canada; Statistics Canada, as of March 2007.



TOURISM CHALLENGES AND TRENDS

Locally, growth opportunities in tourism are expected to be tempered by challenges and affected by evolving trends, including:

Western Hemisphere Travel Initiative (WHTI):

- Border delays and the cost and inconvenience associated with getting passports is expected to reduce U.S. same-day and overnight visits to Manitoba by 236,000 over the next three years and cause a corresponding drop in tourism receipts of $64 million over the same period.

Elimination of Federal Visitor GST Rebate Program and Introduction of new Foreign Convention and Tour Incentive program:

- The federal government eliminated the Visitor GST Rebate Program on April 1, 2007, citing low use of the program and the potential for administrative savings. The program provided GST relief on goods exported from Canada by non-residents.
- This change removes an important price advantage for foreign visitors in Canada.

Canadian dollar value:

- The value of the Canadian dollar has been rising since 2002, gaining more than 40 per cent against the U.S. dollar.
- The increase means that foreign tourists must pay more to vacation in Manitoba and may look elsewhere for more budget-friendly vacation options.
- The rising dollar makes it cheaper for Canadians to travel internationally.

Transportation infrastructure:

- Unlike major air transportation hubs, the province lacks direct access air flights from major markets, making air travel to Manitoba more expensive and time-consuming.

Increased competition:

- Worldwide, the tourism industry is becoming more and more competitive as countries increase their marketing efforts to attract travellers to new and existing destinations.

Labour shortages:

- The Conference Board of Canada estimates that there will be a shortfall of close to one million workers by 2020.

Globalization:

- Manitoba must now compete with the world for visitors.
- Travel suppliers now act globally, promoting and providing experiences around the world, rather than specializing in specific regions.

Sustainable tourism:

- As the world becomes more and more concerned with the impacts of human activity on the health of the planet, tourism will increasingly need to focus on practices that preserve natural and cultural resources.

Travel booked and recommended over the Internet:

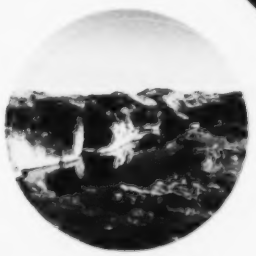
- More than 66 per cent of consumers now research trips and make travel arrangements over the Internet, reducing their reliance on traditional travel agencies and booking agents.
- Both regional and small-business marketing strategies will increasingly need a strong electronic marketing component to successfully attract visitors.

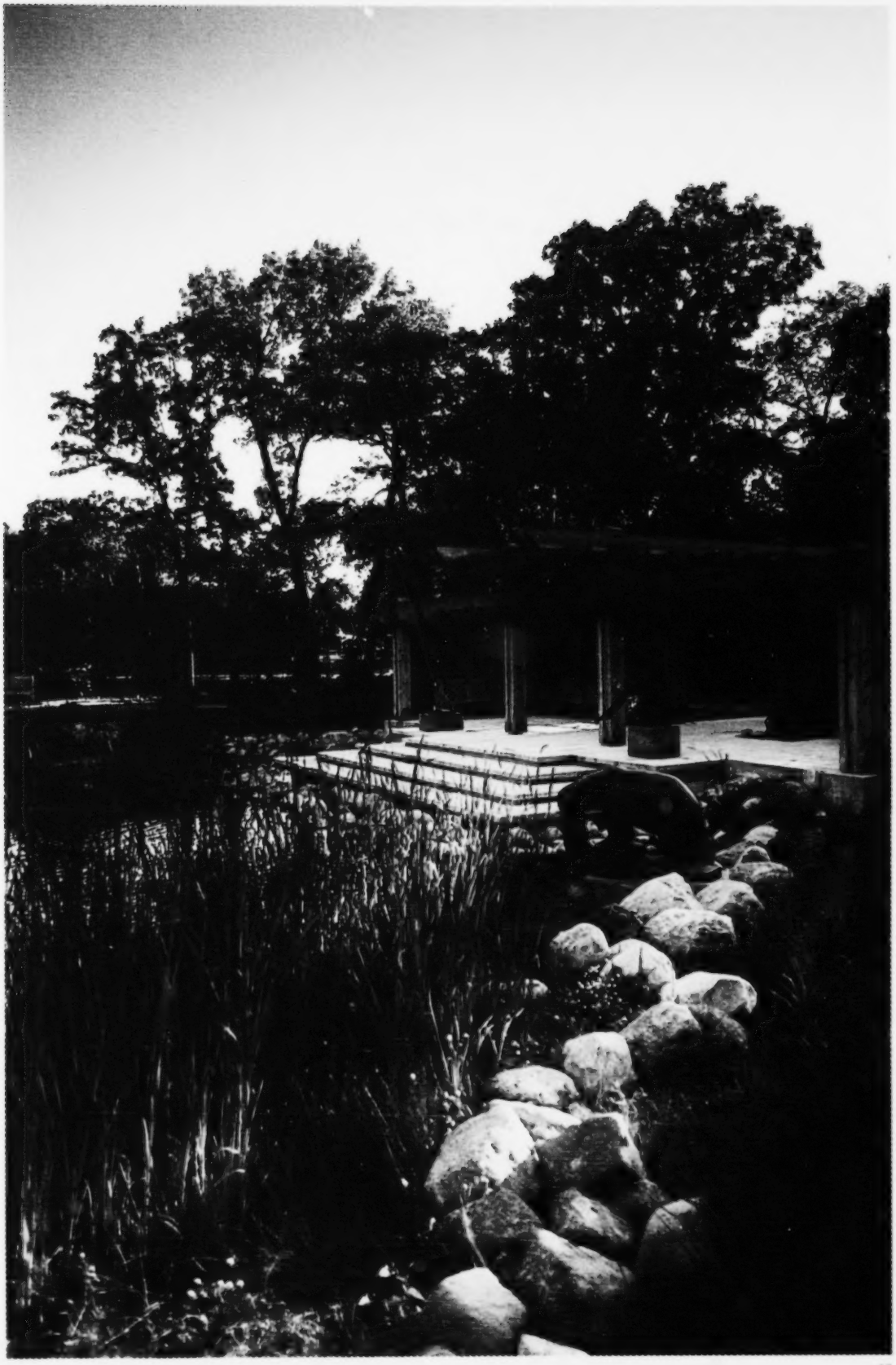
Emerging experiences:

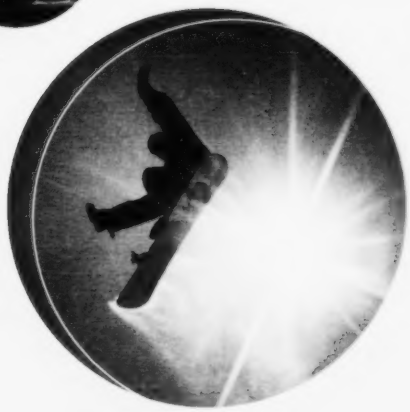
- Travellers are increasingly seeking destinations that cater to the senses.
- Experiences may include luxury spas and five-star resorts designed to provide a vast array of experiences at one destination: learning tours, youth tourism, student travel, "girl" vacations, "mancations", pet-friendly packages, "togethering" (families or other groups travel to one location), and altruistic travel, which combines a vacation experience with volunteer work.

New expectations by travellers:

- Tourists are increasingly discerning about their vacation choices.
- Service quality will become increasingly important, as will the ability for businesses to provide unique experiences.







Travel Manitoba focuses on three strategic priorities.

- **Promoting Manitoba as a quality, year-round tourism destination;**
- **Ensuring exceptional visitor experiences; and**
- **Fostering a professional tourism industry.**

By focusing on these priorities, Travel Manitoba aims to increase tourism revenues in the province, adding to the economic strength of Manitoba and increasing the quality of life experienced by all residents.

The modern-day tourist has changed significantly and is no longer content with merely "visiting" an attraction. Instead, today's traveller seeks to become immersed in an experience. To meet this demand, Travel Manitoba has designed its marketing and product development strategies around six experiential clusters, which form the foundation of all marketing efforts.

Leisure and touring: Travel Manitoba investment: $1,044,500
The leisure traveller wants to visit a variety of destinations and attractions, and participate in outdoor activities and cultural experiences, including dining and entertainment.

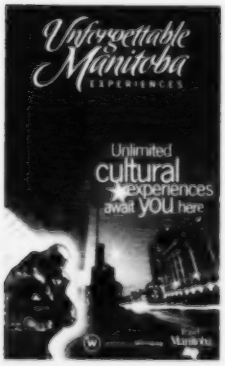
The demographics of this market include:
- Affluent tourists aged 55 and over, who are looking for new, authentic and exciting experiences;
- Baby Boomers aged 44-61; and
- Generation X-ers, aged 29-44.

Target markets include: consumers in Manitoba, Saskatchewan, north western Ontario, North Dakota, Minnesota, Texas, Pennsylvania, Colorado and travel trade from North America and the United Kingdom.

Key Product and Market Development initiatives in leisure included:
- Creating a sustained presence in primary access markets through a year-round campaign of free-standing inserts, developed in partnership with industry;
- Implementing an integrated approach to consumer shows in Saskatchewan, Ontario, North Dakota and Minnesota;
- Testing new e-marketing strategies such as web mapping, an awareness campaign with Expedia, and Google word search initiatives;
- Testing a public relations initiative in Saskatoon with the Royal Winnipeg Ballet tour; and
- Hosting tour operators on a Two Nation Tours familiarization tour to promote cross-border itineraries, in conjunction with North and South Dakota and Minnesota.

Culture and heritage: Travel Manitoba investment: $332,200
The culture and heritage tourist seeks to take part in a specific cultural or heritage activity and makes long-term travel plans around event dates and specific attractions, which include the performing arts, visual arts and crafts, museums and cultural centres, historic sites, villages and interpretive centres and festivals.

The demographics of this market include:
- Travellers with middle-to-high incomes and post-secondary education;
- Older travellers;
- Females;
- Adult-only households.



Target markets are the primary access travel areas (PATAs), including: Saskatchewan, north western Ontario, North Dakota and Minnesota.

Key Product and Market Development initiatives included:
- Hosting a "Power of Travel Packaging" seminar to increase the number of market-ready packages.
- Featuring culinary tourism in the free-standing insert campaign and in media relations coverage.
- Creating and promoting Aboriginal and Francophone packages in each of the six free-standing inserts.

Fishing and hunting: Travel Manitoba investment: $500,000
Manitoba is internationally renowned for its fishing and hunting experiences, from drive-in to remote fly-in lodges located throughout the province's pristine wilderness.

The demographics of this market include:
- Angling enthusiasts, primarily male;
- Hunting enthusiasts, primarily male;
- Canadian and non-Canadian males, aged 47-51; and
- Canadian and non-Canadian females, aged 44-49.

Target markets include the short-haul U.S. states of North Dakota, Minnesota, Wisconsin and Michigan; long-haul U.S. states of California, Florida, Texas and Colorado; and Germany.

Key Product and Market Development initiatives included:
- Partnering with the Manitoba Lodges and Outfitters Association to produce a Fishing free-standing insert, distributed in Michigan, Minnesota, North Dakota and Wisconsin, and featuring travel packages and advertisements from 27 of Manitoba's lodges and outfitters.
- Developing overseas fishing markets through promotion at ITB Berlin, and through hosting German tour operators for a fly-in familiarization tour.
- Developing ice-fishing markets through the delivery of an ice-fishing workshop for industry.
- Conducting preliminary research on opportunities for growth in the hunting sector.

Adventure travel and ecotourism: Travel Manitoba investment: $339,000
Travellers are increasingly becoming interested in experiences that focus on outdoor adventure and nature-based activities, which include elements of environmental conservation and sustainability. Activities that appeal to this type of tourist include wildlife viewing, canoeing, kayaking and winter adventure.

The demographics of this market include:
- Soft adventurers (skewed toward female travel decision-makers), including Canadians, aged 18-44; and Americans, aged 18-54 (35-53 for wildlife viewing);
- Hard adventurers, including Canadian males, aged 18-34; American males, aged 18-34;
- General consumers (males and females, aged 25-54); and
- Experienced adventure travellers (males and females, aged 25-54).

Target markets include: overseas consumers in Germany, Japan and the United Kingdom; the primary access travel areas (PATAs); and U.S. states including California, Florida, New York, Pennsylvania, Texas and Illinois.

Key Product and Market Development initiatives included:
- Hosting an Outdoors packaging workshop for industry to increase market readiness of the adventure product;
- Testing response in long-haul U.S. states in the birding sector;
- Creating a comprehensive Travel Trade strategy;
- Developing web-based travel itineraries in French, German and Japanese; and
- Hosting Japanese "Canada Specialists" and German journalists on adventure-based familiarization tours.

Meetings, conventions and events: Travel Manitoba investment: $137,050
Destination Winnipeg leads the marketing of meetings, conventions and events for the Winnipeg area, while Travel Manitoba concentrates on the support and promotion of pre- and post-event tours to rural areas.

The target profile for this market includes:
- Decision makers;
- Executives; and
- Event planners.

In 2006-07, major accomplishments in this cluster included:
- Supporting Team Winnipeg efforts to secure over 200 meetings and conventions through sales blitzes, hosting familiarization tours and other marketing initiatives;
- Working with Brandon First to develop a three-year strategic plan and supporting efforts to secure 23 meetings and conventions for more than 8,000 delegates. The events generated spending in excess of $5 million;
- Creating out-of-market promotional activities to capitalize on Winnipeg's hosting of the 2006 Grey Cup Festival;
- Partnering with Destination Winnipeg, Sport Manitoba and Hockey Manitoba to secure the 2007 Women's World Hockey Championships;
- Partnering with the Manitoba Hotel Association, Winnipeg Chamber of Commerce and Destination Winnipeg to complete a competitive analysis of the Winnipeg meeting and convention sector; and
- Working in partnership with Destination Winnipeg's Team Winnipeg initiative, to host familiarization tours held for event organizers and decision-makers from eastern Canada.

Photo: Dave Danchuk

Industry Quality and Competitiveness (IQC):
To ensure that Manitoba's tourism industry is able to meet the demands and expectations of visitors with quality service and products, this area develops strategies designed to foster a professional tourism industry.

Key Product and Market Development initiatives included:

- Hosting an annual tourism industry conference for over 140 participants, which provided numerous professional development opportunities including seminars and workshops on topics such as accessing and working with the travel trade, measuring return on investment, web marketing and the changing workforce.
- Recognizing excellence in the tourism industry through the annual Tourism Awards program, which acknowledged 46 outstanding individuals and businesses in Manitoba.
- Developing three Best Practice Missions for industry to take part in during 2007–08.
- Undertaking the development of minimum standards for industry participation in Travel Manitoba programs.
- Developing a communication strategy that identifies key messages and action plans to support the quality initiative.
- Establishing a strategic partnership with the Manitoba Tourism Education Council (MTEC) to implement quality and professional development initiatives.
- Partnering with the Business Council of Manitoba to host the first *Business of Tourism Summit*, which brought together business and community leaders to discuss the economic impacts and benefits of tourism, identify new tourism investment opportunities and establish action plans for tourism development.

The Honourable Eric Robinson, Minister of Culture, Heritage & Tourism, addresses the audience at the 2006 Travel Manitoba Tourism Awards.

Visitor Services:
Visitor Services is responsible for operating five visitor centres located at border entry points and The Explore Manitoba Centre at The Forks in Winnipeg. Centres located at the Emerson border entry point and The Forks are open year round; other centres are open seasonally.

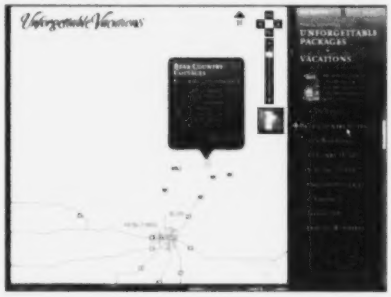
In 2006-07, major accomplishments included:
- Responding to over 9,000 telephone inquiries;
- Providing in-person counselling services to more than 50,000 visitors;
- Responding to more than 18,000 requests for information kits; and
- Fulfilling over 20,000 information kits and over 1,900 orders for bulk information.

Market Intelligence:
The Market Intelligence unit is responsible for Travel Manitoba's research and information technology initiatives, including the Tourism Information Management System (TIMS), a comprehensive database that tracks inquiries and product information. The unit focuses on analyzing marketing activities and product capacity, as well as gathering customer profiles and travel intentions.

Major initiatives included:
- Conducting research to determine the potential and market readiness of winter tourism products.
- Updating Travel Manitoba's current databases of national and international tour operators.
- Researching the potential of the hunting sector and possible inhibitors to growth.
- Conducting an advertising awareness study to determine the effectiveness of marketing efforts in influencing perceptions about Manitoba and future travel decisions.

E-marketing:
E-marketing focuses on using innovative digital marketing technologies to support Travel Manitoba's marketing efforts. This area manages the organization's digital assets, including websites, microsites, image libraries and electronic marketing campaigns, such as Google AdWords and Expedia campaigns.

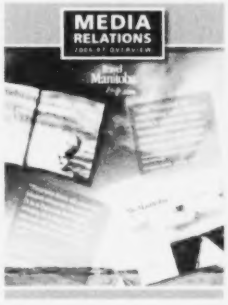
In 2006-07, major accomplishments included:
- Developing a web microsite program that provides viewers with links to individual business and operator websites;
- Developing a web-mapping application to promote vacation packages;
- Creating an electronic marketing promotion for Manitoba tourism products on Expedia; and
- Redeveloping the TIMS inquiry system to better capture customer information.



Travel Media Relations:
Travel Media Relations works to create and strengthen positive relationships with key travel media in North America and the primary international markets through aggressive outreach. Activities include attending media marketplaces, preparing and distributing promotional information and news on innovative products and destinations and hosting media tours.

These efforts result in travel articles promoting Manitoba appearing in major daily newspapers, national magazines and travel websites and on television and radio around the world.

In 2006-07, major accomplishments included:
- Leveraging $7.7 million worth of coverage in publications and programs around the globe;
- Hosting the Travel Media Association of Canada Board of Directors, in cooperation with two provincial partners;
- Creating an on-line photo gallery for travel journalists;
- Hosting local media in Denver; and
- Retaining a public relations firm to augment activities in the United States.

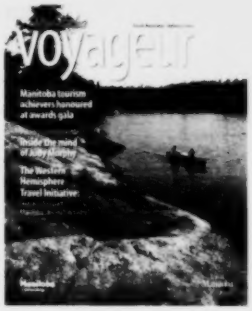


Travel Trade:
Three priority markets for Travel Trade are targeted: long-haul U.S. states, the United Kingdom and Germany. Travel Manitoba is also closely monitoring Canada's progress at getting Approved Destination Status in China, a country that would represent a significant opportunity for Manitoba operators due to its increasing population and the strength of its economy.

In 2006-07, Travel Manitoba staff attended numerous international travel shows to market Manitoba to tour operators and group leaders from around the world, including the American Bus Association (ABA) Marketplace, Rendez-vous 2007, Bank Travel in the U.S., Spotlight Canada in the United Kingdom, and ITB Berlin in Germany. These shows give staff the opportunity to meet with agents and operators to promote Manitoba to clients and better understand customer demands and expectations.

Corporate Communications:
Corporate Communications focuses on effectively communicating messages that support the organization's overall business objectives and ensuring that all stakeholders are aware of Travel Manitoba's goals and activities. Target audiences include news and business media, tourism industry members and partners, tourism associations and organizations, events and attractions, government, business, employees and the general public.

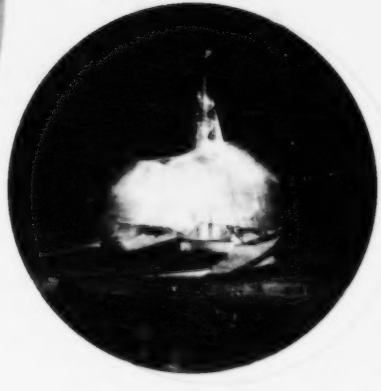
In 2006-07, major accomplishments included:
- Hosting the first Annual General Meeting, attended by more than 150 stakeholders and industry members;
- Launching *Manitoba Voyageur*, a quarterly magazine designed specifically to keep industry up-to-date on Travel Manitoba programs and tourism issues;
- Providing information and interviews to news media on issues relating to tourism; and
- Issuing news releases on major tourism events to local business and news media.



GROWING THE BUSINESS

The tourism industry is constantly evolving and continued success depends on preparing for new consumer demands and changing marketplaces. Travel Manitoba will build on its present success and be ready to meet the future with innovative activities and strategies that will strengthen the province's tourism industry.

Travel Manitoba's goal is to increase tourism expenditures by 33 per cent to $2 billion by 2010. To achieve this goal, the Corporation will address imperatives for growth in the province's tourism sector, including:



- Expanding marketing efforts in the U.S. to reverse the decline in visitation experienced over the past three years;
- Building Manitoba's capacity to take advantage of the burgeoning international markets;
- Building on the province's success in hosting international events;
- Exceeding customer expectations for high-quality tourism products;
- Maximizing advantages presented by Manitoba's growing Aboriginal labour force; and
- Building tourism capacity in rural and northern Manitoba.

TRAVEL MANITOBA

Financial Statements
for the year ended March 31, 2000

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BDO

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Auditors' Report

To the Members of
TRAVEL MANITOBA

We have audited the statement of financial position of **TRAVEL MANITOBA** as at March 31, 2007 and the statements of operations, changes in net assets and cash flows for the year then ended. These financial statements are the responsibility of the organization's management. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with Canadian generally accepted auditing standards. Those standards require that we plan and perform an audit to obtain reasonable assurance whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation.

In our opinion, these financial statements present fairly, in all material respects, the financial position of the organization as at March 31, 2007, and the results of its operations and its cash flows for the year then ended in accordance with Canadian generally accepted accounting principles.

BDO Dunwoody LLP

Chartered Accountants

Winnipeg, Manitoba
May 4, 2007

BDO Dunwoody LLP *is a Limited Liability Partnership registered in Ontario*
BDO Dunwoody s.r.l. *est une société à responsabilité limitée constituée en Ontario*

Statement of Financial Position

As at March 31	2007	2006
ASSETS		
Current Assets		
Cash (Note 2)	**$ 1,075,215**	$ 7,253
Short-term deposits (Note 2)	**205,381**	195,902
Due from the Province of Manitoba - Operating grant	**-**	624,700
Trade accounts receivable	**326,768**	322,479
Prepaid expenses	**44,864**	19,478
	1,652,228	1,169,812
Due from the Province of Manitoba (Note 3)	**299,967**	368,937
Capital Assets (Note 4)	**56,034**	33,569
	$ 2,008,229	$ 1,572,318
LIABILITIES AND NET ASSETS		
Current Liabilities		
Accounts payable and accrued liabilities	**$ 1,165,631**	$ 912,606
Deferred revenue	**107,080**	164,765
	1,272,711	1,077,371
Severance Pay Benefits (Note 3)	**310,819**	287,563
	1,583,530	1,364,934
Commitments (Note 6)		
Net Assets (Page 31)		
Unrestricted	**293,665**	98,815
Restricted for purchase of capital assets	**75,000**	75,000
Invested in capital assets	**56,034**	33,569
	424,699	207,384
	$ 2,008,229	$ 1,572,318

Approved on behalf of the Board.

Director

Director

The accompanying summary of significant accounting policies and notes are an integral part of these financial statements.

Statement of Operations

For the year ended March 31	2007	2006
Revenue		
Province of Manitoba	**$ 7,476,600**	$7,412,200
Partnership and leveraged marketing	**650,181**	499,652
Other	**46,792**	17,688
	8,173,573	7,929,540
Expenditures		
Marketing and product development	**6,028,643**	5,788,511
Visitor services	**1,210,896**	1,194,332
Corporate services	**709,529**	727,525
Amortization	**7,190**	11,788
	7,956,258	7,722,156
Excess of revenue over expenditures for the year (Page 31)	**$ 217,315**	$ 207,384

The accompanying summary of significant accounting policies and notes are an integral part of these financial statements.

Statement of Changes in Net Assets

For the year ended March 31				2007	2006
	Unrestricted	Restricted for Purchase of Capital Assets	Invested in Capital Assets	Total	Total
Net assets, beginning of year	$ 98,815	$ 75,000	$ 33,569	$ 207,384	$ -
Excess (deficiency) of revenue over expenditures for the year (Page 30)	224,505	-	(7,190)	217,315	207,384
Acquisition of capital assets	(29,655)	-	29,655	-	-
Net assets, end of year (Page 29)	$ 293,665	$ 75,000	$ 56,034	$ 424,699	$ 207,384

The accompanying summary of significant accounting policies and notes are an integral part of these financial statements.

Statement of Cash Flows

For the year ended March 31	2007	2006
Cash Flows from Operating Activities		
Excess of revenue over expenditures for the year	**$ 217,315**	$ 207,384
Adjustment for non cash items		
Amortization	**7,190**	11,788
	224,505	219,172
Changes in non cash working capital		
Due from the Province of Manitoba - Operating grant	**624,700**	(624,700)
Trade accounts receivable	**(4,289)**	(322,479)
Prepaid expenses	**(25,386)**	(19,478)
Accounts payable and accrued liabilities	**253,025**	912,606
Deferred revenue	**(57,685)**	164,765
	790,365	110,714
Due from Province of Manitoba	**68,970**	(368,937)
Severance pay liability	**23,256**	287,563
	1,107,096	248,512
Cash Flows from Investing Activities		
Acquisition of capital assets	**(29,655)**	(45,357)
Net change in short-term deposits	**(9,479)**	(195,902)
	(39,134)	(241,259)
Net increase in cash and cash equivalents	**1,067,962**	7,253
Cash and cash equivalents, beginning of year	**7,253**	-
Cash and cash equivalents, end of year	**$ 1,075,215**	$ 7,253

The accompanying summary of significant accounting policies and notes are an integral part of these financial statements.

Summary of Significant Accounting Policies

As at March 31, 2007

Basis of Reporting

The financial statements of the organization have been prepared in accordance with Canadian generally accepted accounting principles.

Capital Assets

Capital assets are recorded at cost and amortized on a declining balance basis at the following rates:

Computer hardware	30% straight line
Computer software	30% straight line
Furniture and equipment	5% straight line
Leasehold improvements	5% straight line

Revenue Recognition

The organization follows the deferral method of accounting for contributions. Grant revenue is recognized in the period earned. Partnership and marketing revenue are recognized when services are rendered if the amount to be received can be reasonably estimated and collection is reasonably assured.

Financial Instruments

The organization's financial instruments consist of cash, short-term investments, accounts receivable, accounts payable and accrued liabilities. Unless otherwise noted, it is management's opinion that the organization is not exposed to significant interest, currency, or credit risks arising from these financial instruments. It is management's opinion that the fair value of these financial instruments approximates their carrying value.

Restricted Fund for Acquisition of Capital Assets

A fund has been established by the Board of Directors in order to finance the future acquisition of capital items which are not funded by the Province of Manitoba through the provision of operating grants. Charges to the fund will occur at the discretion of the President and Chief Executive Officer. Any future redesignation of the fund balance would be subject to approval by the Board of Directors.

Use of Estimates

The preparation of financial statements in accordance with Canadian generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities at the date of the financial statements, and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from management's best estimates as additional information becomes available in the future.

Notes to Financial Statements

As of March 31, 2007

1. Nature of Organization

Travel Manitoba was created as a Crown Corporation on April 1, 2005 under The Travel Manitoba Act as the culmination of extensive consultation and leadership from both the tourism industry and the provincial government. Travel Manitoba's mission is to be the leader in stimulating innovative, sustainable tourism growth in Manitoba. Travel Manitoba collaborates closely and in partnership with the tourism industry and governments to attract visitors to Manitoba, sustaining and creating jobs and businesses in the tourism sector in the province.

Travel Manitoba receives core funding from the Province of Manitoba to facilitate operations and to mobilize public and private resources to further foster the growth and professionalism of the tourism industry in Manitoba. Travel Manitoba is economically dependent on the Province of Manitoba, because it derives a significant portion of its revenue from the Province of Manitoba.

2. Cash and Short-term Deposits

The organization invests all surplus cash into short-term deposits with the Province's Treasury Division. These deposits are made up of 30, 60 and 90 day callable term deposits.

3. Severance Pay Benefits

Upon inception on April 1, 2005, the organization recorded accumulated severance pay benefits receivable and payable of $368,937 transferred from the Province of Manitoba for its employees. This receivable, or portion thereof, for the organization, will be collected by the organization as severance benefits are paid to employees on record as at April 1, 2005. The amount of severance pay obligations is based on actuarial calculations. The periodic actuarial valuations of these liabilities may determine that adjustments are needed to the actuarial calculations when actual experience is different from that expected and/or because of changes in actuarial assumptions used. The resulting actuarial gains or losses are recorded in the period of the change.

An actuarial report was completed for the severance pay liability as of March 31, 2007. The report provides a formula to update the liability on an annual basis. The organization's actuarially determined net liability for accounting purposes as at March 31, 2007 was $310,819.

During the year, the organization received $68,970 from the Province of Manitoba related to payments made to employees during the 2005/2006 fiscal year.

Notes to Financial Statements

As of March 31, 2007

4. Capital Assets

	2007		2006	
	Cost	Accumulated Amortization	Cost	Accumulated Amortization
Computer hardware	**$ 3,240**	**$ 2,065**	$ 3,240	$ 972
Computer software	**24,403**	**11,394**	34,840	10,452
Furniture and equipment	**7,277**	**710**	7,277	364
Leasehold improvements	**36,343**	**1,060**	-	-
	$ 71,263	**$ 15,229**	$ 45,357	$ 11,788
Cost less accumulated amortization		**$ 56,034**		$ 33,569

5. Employee Pension Benefits

Employees of Travel Manitoba are eligible for pension benefits in accordance with the provisions of the Civil Service Superannuation Act ("CSSA"), administered by the Civil Service Superannuation Board. The CSSA established a defined benefit plan to provide benefits to employees of the Manitoba Civil Service and to participating agencies of the Government, including Travel Manitoba, through the Civil Service Superannuation Fund.

The organization is required to pay the Province of Manitoba an amount equal to its employees' current pension contributions. The amount paid for 2007 was $91,159 (2006 $97,386). Under this agreement, the organization has no further pension liability.

6. Lease Commitment

The organization has entered into a lease agreement expiring March 2010 for rental of facilities at various locations with total annual payments of $579,300.

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